

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Chief Financial Officer**

**Natwar M. Gandhi**  
Chief Financial Officer



**MEMORANDUM**

**TO:** The Honorable Linda W. Cropp  
Chairman, Council of the District of Columbia

**FROM:** Natwar M. Gandhi  
Chief Financial Officer

**DATE:** July 1, 2002

**SUBJECT:** Fiscal Impact Statement: "Employment Tax Credit for  
CareFirst Blue Cross Blue Shield Employees Who Reside in  
the District of Columbia Act of 2002"

**REFERENCE:** Legislation as Introduced - No Bill Number Available

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**Conclusion**

Funds are not sufficient in the FY 2003 through FY 2006 budget and financial plan as currently agreed to by the Mayor and the Council of the District of Columbia (Council). The proposed legislation will result in a revenue liability that is controlled by CareFirst Blue Cross Blue Shield (BCBS). The District cannot quantify revenue reductions at this time because CareFirst BCBS has not made any decisions pertaining to future staffing.

**Background**

The proposed legislation approves up to a \$1,000 tax credit for each individual employed by CareFirst BCBS and who reside in the District of Columbia. However, the credit is limited to new hires only. The credit cannot be applied to existing employees even if they are residents. CareFirst BCBS may apply the credit against District franchise, income, personal property or insurance premium tax.

**Financial Plan Impact**

Funds are not sufficient in the FY 2003 through FY 2006 budget and financial plan. Approximately 200 to 250 of the 800 employees of CareFirst BCBS reside in the District. CareFirst BCBS would not be eligible to take the tax credit for these people. CareFirst BCBS would have to hire new people who reside in the District in order to claim the proposed credit.

The intent of the proposed legislation is to be a part of a package of incentives the Mayor is offering to CareFirst BCBS to remain here in the city. CareFirst BCBS could aggressively increase the number of persons it employs that live in the District. For each additional person CareFirst BCBS would receive up to an additional \$1,000 credit and increase the revenue reductions allowed by the provisions of the proposed legislation.